IRPP

*Institute for Research on Public Policy*

*Institut de recherche en politiques publiques*

# 2009-10 Annual Report

# Mission

Founded in 1972, the Institute for Research on Public Policy is an independent, national, bilingual, nonprofit organization.

The IRPP seeks to improve public policy in Canada by generating research, providing insight and sparking debate on current and emerging policy issues facing Canadians and their governments.

The Institute's independence is assured by an endowment fund, to which federal and provincial governments and the private sector contributed in the early 1970s.

# Financial Highlights

Year ended March 31, 2010 (In thousands of dollars)

| | **2010** | 2009 | 2008 |
|---|---|---|---|
| Operational budget | **2,385** | 2,579 | 2,663 |
| Expenses | **2,304** | 2,460 | 2,485 |
| Operational budget over expenses | **81** | 119 | 178 |

# Board of Directors

Janice MacKinnon, Chair (Saskatoon, Saskatchewan)
Graham Scott, Vice Chair (Toronto, Ontario)

Peter Aucoin (Halifax, Nova Scotia)
Ian D. Clark (Toronto, Ontario)
Jim Dinning (Calgary, Alberta)
Mary Lou Finlay (Toronto, Ontario)
Ann Fitz-Gerald (Shrivenham, Wiltshire, UK)
Frederick Gorbet (Toronto, Ontario)
John Manley (Ottawa, Ontario)
Barbara McDougall (Toronto, Ontario)
A. Anne McLellan (Edmonton, Alberta)
L. Jacques Ménard (Montreal, Quebec)
Martha C. Piper (Vancouver, British Columbia)
Guy Saint-Pierre (Montreal, Quebec)
Bernard J. Shapiro (Montreal, Quebec)
Paul M. Tellier (Montreal, Quebec)
R. Kent Weaver (Washington, DC, USA)
Milton Wong (Vancouver, British Columbia)
Wanda Wuttunee (Winnipeg, Manitoba)

# Members of the Institute

Howard Bergman (Montreal, Quebec)
Meyer Burstein (Ottawa, Ontario)
Peter J. M. Nicholson (Ottawa, Ontario)

It is time once again to look back at the IRPP's achievements of the past year and to look ahead to its future endeavours. I offer my congratulations to the staff at the Institute for continuing to produce high-quality, research-based publications that address the issues of today – and of tomorrow – from a variety of perspectives. IRPP President Mel Cappe's emphasis on engaging directly with government decision-makers is paying dividends, both for the Institute and for the policy-making community as a whole.

The year has been one of transition for the IRPP, as we have had to confront economic challenges and their impact on the endowment. I want to thank the staff for their efforts to restructure the IRPP's operations and activities and Board members for their input into the ongoing process of rethinking the organization.

The past few months have been difficult ones for some of the Institute's staff, and I know I speak for the Board in thanking them for their commitment to the IRPP and their continued hard work under these circumstances.

Turning to Board business, we are deeply saddened to note the death of new Board member David Pecaut in December. Our thoughts are with his family during this difficult time.

National Inuit Leader and Inuit Tapiriit Kanatami (ITK) President Mary Simon resigned in September of 2009. We also bid farewell to Antonia Maioni, director of the McGill Institute for the Study of Canada, who has completed her second three-year term as a member representing a compatible organization. As well, member of the Institute Gordon Smith is departing after completing his three-year term. Due to the evolution of our organization and bylaw changes, the IRPP will no longer be seeking representatives of compatible organizations to sit on our Board. On behalf of the Board, I wish to thank all three for their invaluable contributions to the Institute.

We are pleased to welcome new Board member Milton Wong, Chancellor Emeritus of Simon Fraser University and Chairman of Perceptronix, a laboratory operation that provides anatomic pathology and cancer diagnostics services to medical and dental practices and facilities in support of earlier diagnoses for better patient outcomes. He is a director on the boards of the Aga Khan Foundation Canada, the Canada-US Fulbright Program, the Pacific Salmon Endowment Society, Genome BC and the Pierre Elliott Trudeau Foundation. On behalf of the IRPP's Board, I extend a warm welcome to Mr. Wong.

Finally, I extend my heartfelt thanks to Board members for their support. I look forward to continuing to work with an excellent group of talented people from diverse backgrounds who share a common commitment to excellence in public policy research.

Janice MacKinnon
Saskatoon, June 2010

# Message from the Chair of the Board of Directors

Since 1972, the Institute for Research on Public Policy's core activity has been to produce evidence-based research and analysis that contributes to the development and improvement of public policy in Canada. Our mission to generate research, provide insight and spark debate is fulfilled through the publications we produce, the events we organize and the fundraising we undertake. These three elements reflect the theme of this year's annual report, "The IRPP: Making a Difference."

Through its rigorous, empirical and peer-reviewed research, the Institute contributes to the policy debate in Canada by taking a multidisciplinary approach, from an international and comparative perspective, often in collaboration with other organizations. Every year, as Canadians and their governments face new policy challenges, the IRPP's research directors identify gaps in the debate about and the analysis of those challenges. For example, Faces of Aging, one of our ongoing research programs, explores public policy issues that are particularly important now as the Baby Boom generation begins to retire, leaving governments to face numerous policy challenges such as retirement income security, a reduction in labour force participation and increasing demand for alternative caregiving arrangements.

We continue to maintain our focus on connecting our research to decision-makers, the policy-making community and the public at large. The tremendous response from all levels of government to *Northern Exposure: Peoples, Powers and Prospects in Canada's North*, the fourth volume in the IRPP's The Art of the State series, is a recent example of the Institute's timely and valuable contribution to policy-making.

IRPP Study, which replaces *IRPP Choices* and *IRPP Policy Matters*, is the Institute's new publication vehicle for its research. Each IRPP Study is subject to rigorous internal and external peer review for academic soundness and policy relevance.

As part of our outreach work, we are in the process of updating the look of the Institute's Web site and enhancing its functionality. The new design is streamlined, clean and modern. We are confident that visitors will find it user-friendly and easy to navigate. The dissemination of our research is central to our success in sparking public policy debate. In addition to its research being the subject of hundreds of print and broadcast news stories, columns, editorials and op-eds every year, the Institute is selectively applying evolving technologies and social media to better reach our target audiences. To that end, I would like to thank Kate Shingler, the IRPP's communications director, for her vision and determination. >>

# Message from the President

We have hosted a dozen research-related events in various Canadian cities throughout the year, and we have also had the opportunity to present and discuss our research findings privately with legislators at the federal, provincial and municipal levels. I would like to thank Suzanne Lambert, Events Coordinator, and Georgia Kotsakis, Administrative Assistant, for bringing to fruition so many successful events.

As is the case with many foundations and nonprofit organizations, the recent financial crisis has significantly weakened our endowment fund. We have responded with a new strategic plan to adapt to current circumstances while fulfilling our commitment to our core mission. In particular, to continue to ensure that we maintain our presence in the policy community, the IRPP is committed to undertaking fundraising initiatives to enhance our research activities and convey our findings to decision-makers.

We would like to thank the following sponsors for their generous support this past year: Health Canada, Human Resources and Skills Development Canada, the Canadian Institutes of Health Research, the Public Health Agency of Canada, Seniors and Community Supports Alberta, the Ministère de la Santé et des Services sociaux Québec, the Canadian Health Services Research Foundation, BMO, GlaxoSmithKline, Amgen, the Conseil supérieur de la langue française, *Le Devoir*, Fraser Milner Casgrain, McGill University, the Walter and Duncan Gordon Foundation, the Canadian Water Network and Bell Canada.

We use donated funds to engage in new areas of research, to broaden and deepen the scope of current research programs, and to disseminate the Institute's findings to the policy community. The IRPP invests its own resources in all of its projects and seeks a diversity of donors, so that no single source of funding becomes indispensable.

Finally, I would like to take this opportunity to thank Geneviève Bouchard, outgoing director of the Diversity, Immigration and Integration and the Strengthening Canadian Democracy research programs, for eight years of invaluable service, and to welcome back former senior research associate Leslie Seidle to that role. I would also like to thank France St-Hilaire, Vice-President of Research, and Suzanne Ostiguy McIntyre, Vice-President of Operations, for their continued dedication and hard work.

Looking forward to 2010-11, I anticipate an exciting year of meaningful work, one in which the IRPP will continue to produce high-quality research, provide insight and spark debate.

Mel Cappe
Montreal, June 2010

# Message from the President

# Canadian Federalism

Research Directors:
France St-Hilaire and
Jeremy Leonard

The IRPP is a recognized authority on the complex and thorny issues that mark the evolution of the Canadian federation. In the past eight years, the Institute's Canadian Federalism research program has produced dozens of publications on various aspects of the workings of the federation.

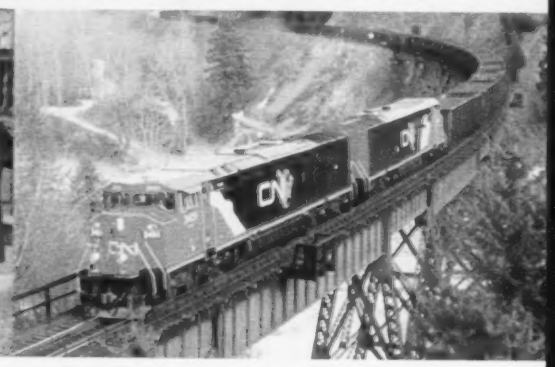
This year, the Institute published a pioneering study that examines climate change policy in Canada from the perspective of environmental federalism. In the study "Clearing the Air on Federal and Provincial Climate Change Policy in Canada," Tracy Snoddon and Randall Wigle focus on a key issue that most other analyses have sidestepped: the fact that Ottawa shares jurisdiction in climate change with the provinces, which means that not only would both levels of government have access to any tax revenues that might be generated by emissions-reduction practices, but also that they would have to coordinate their policy efforts to avoid counterproductive measures.

True to its mandate to generate research, provide insight and spark debate, the IRPP seized the opportunity to organize and cohost an event on this subject after *The Globe and Mail* published an editorial on the need for a federal climate change policy. This editorial highlighted a report by David Suzuki released in October, which the Canada West Foundation then critiqued. The IRPP event on the economic impact of reducing $CO_2$ emissions was held in Calgary, and it was organized with the Canada West Foundation in collaboration with the Pembina Institute. It attracted an audience of over 100.

The day after publishing the editorial, *The Globe and Mail* published an op-ed by Tracy Snoddon as an exclusive on its online opinion page. In reference to the seemingly intractable disagreement on climate change policy, the newspaper's editorial board notes: "A solution can be found in a paper released this week by the Institute for Research on Public Policy...IRPP authors argue convincingly for giving most, if not all [carbon tax revenues], directly back to the provinces."

"In the equalization domain, the Institute for Research on Public Policy had the greatest web based impact, ranking first in both popular and insider rankings."

– Kathleen McNutt and Gregory Marchildon,
"Think Tanks and the Web: Measuring Visibility and Influence"
*Canadian Public Policy/Analyse de politique*
Vol. 35, no. 2, 2009



## Canadian Federalism

"A solution can be found in a paper released this week by the Institute for Research on Public Policy...IRPP authors argue convincingly for giving most, if not all [carbon tax revenues], directly back to the provinces."

– *The Globe and Mail*,
December 11, 2009

**Publications**
"Clearing the Air on Federal and Provincial Climate Change Policy in Canada"
Tracy Snoddon and Randall Wigle
December 8, 2009

**Events**
Working Lunch: "The Economic Impact of Reducing $CO_2$ Emissions: Regional Disparities and How to Mitigate Them"
March 16, 2010
Calgary

# Canadian Priorities Agenda

# Canadian Priorities Agenda

Research Directors: Jeremy Leonard, France St-Hilaire, and Christopher Ragan (McGill University and Finance Canada)

The Canadian Priorities Agenda (CPA) was a two-year project (2006-07) designed to initiate a broad-based and informed public debate on the economic and social policy choices and priorities for Canada over the medium term. The resulting volume, *A Canadian Priorities Agenda: Policy Choices to Improve Economic and Social Well-Being*, was released in October 2007.

This year, the Institute posted on its Web site two award-winning student papers related to the CPA project. The contest was open to students taking the 2008-09 CPA-based seminar at the University of Toronto's School of Public Policy and Governance. Carolyn Tuohy, Professor Emerita of Political Science and Senior Fellow at the University of Toronto's School of Public Policy and Governance, and Wendy Dobson, Co-director of the Institute for International Business at the University of Toronto's Rotman School of Management, taught the seminar and selected the winning submissions. Both papers had original and well-supported policy visions for Canada's next generation of policy-makers. In fact, the papers were downloaded more than 3,500 times each. During the 2010 winter term, IRPP President Mel Cappe taught the CPA course together with Carolyn Tuohy and Wendy Dobson.

In addition to the School of Public Policy and Governance, several other policy schools in Canada are using the CPA volume as the basis for graduate courses and seminars on Canadian public policy. Indeed, the CPA lends itself well to such courses because its central theme is that governments have limited resources and therefore must choose carefully, across a wide spectrum of issues, which policies to pursue and which to leave behind, a valuable exercise for future policy-makers.

**Publications**

"Two for One: Building a Versatile Canadian Priorities Agenda"
David Suk
September 2009

"A Canadian Priorities Agenda: Ensuring Future Prosperity"
Karen Thorburn
September 2009

In addition to the School of Public Policy and Governance, several other policy schools in Canada are using the CPA volume as the basis for graduate seminars.

# Diversity, Immigration and Integration

Research Directors:
Geneviève Bouchard
and Leslie Seidle

The Diversity, Immigration and Integration research program examines specific aspects of both the economic and social integration of immigrants. It also explores the policy challenges related to growing diversity, social cohesion and shared citizenship in Canada.

Language plays a central role in shaping the economic opportunities available to newcomers in Canada. The Institute published a study in June that concludes that more attention must be devoted to the provision of high-quality English-language education to immigrants to Vancouver. "The Economic Integration of Immigrants in Metropolitan Vancouver," by Daniel Hiebert, found that the largest group of immigrants to the city, those from East Asia, have poor economic outcomes, and that language proficiency is a key factor.

The study was the subject of an exclusive news story and a column in the *Vancouver Sun* published the day the study was released. Its findings were also picked up by ethnic newspapers and radio outlets such as Chinanews.com and Omni TV and by online news services from as far away as Hong Kong.

Although there was a wide-ranging public debate in Quebec on reasonable accommodation and the integration of immigrants, which resulted in the 2007 Bouchard-Taylor Commission, these issues remain at the forefront of the public agenda in the province. In order to establish and strengthen the predominance of the French language, Quebec has adopted a policy for immigrants' integration in French.

To explore the patterns of language use in Quebec, the IRPP published a second study in this research program in February, *L'intégration linguistique des immigrants au Québec*, by Michel Pagé, in collaboration with Patricia Lamarre. The study found that what is needed for the successful linguistic integration of immigrants in Quebec is better economic and social integration into French culture and society, rather than a tightening of the language policy.

Michel Pagé presented his results and main conclusions at a sold-out public event in Montreal, which was sponsored by *Le Devoir* and the Conseil supérieur de la langue française.

The study was the subject of articles in the Montreal *Gazette* and *Le Devoir*, and of interviews aired on a number of broadcast news outlets, including Global TV, Radio-Canada and CBC Radio One.

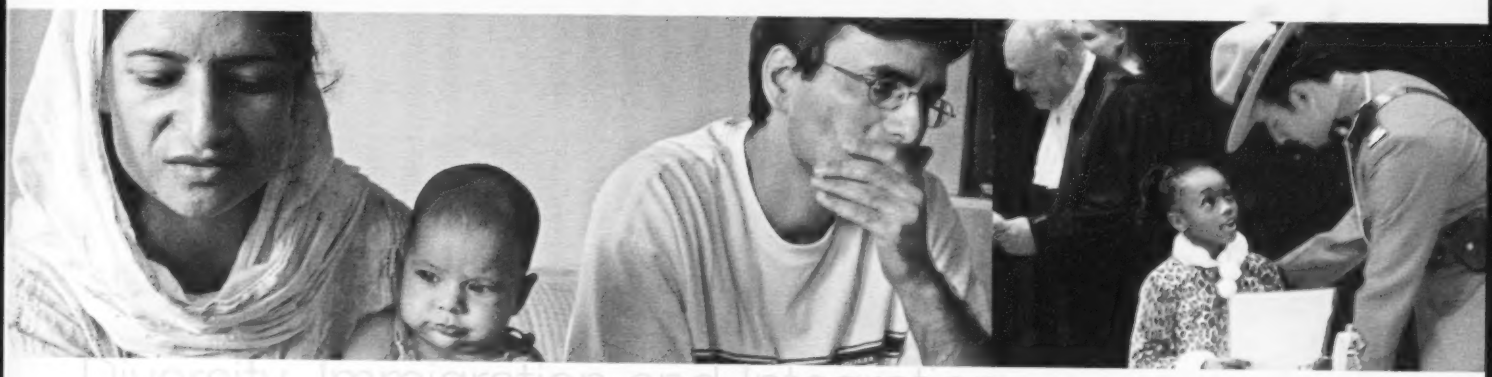
**Publications**

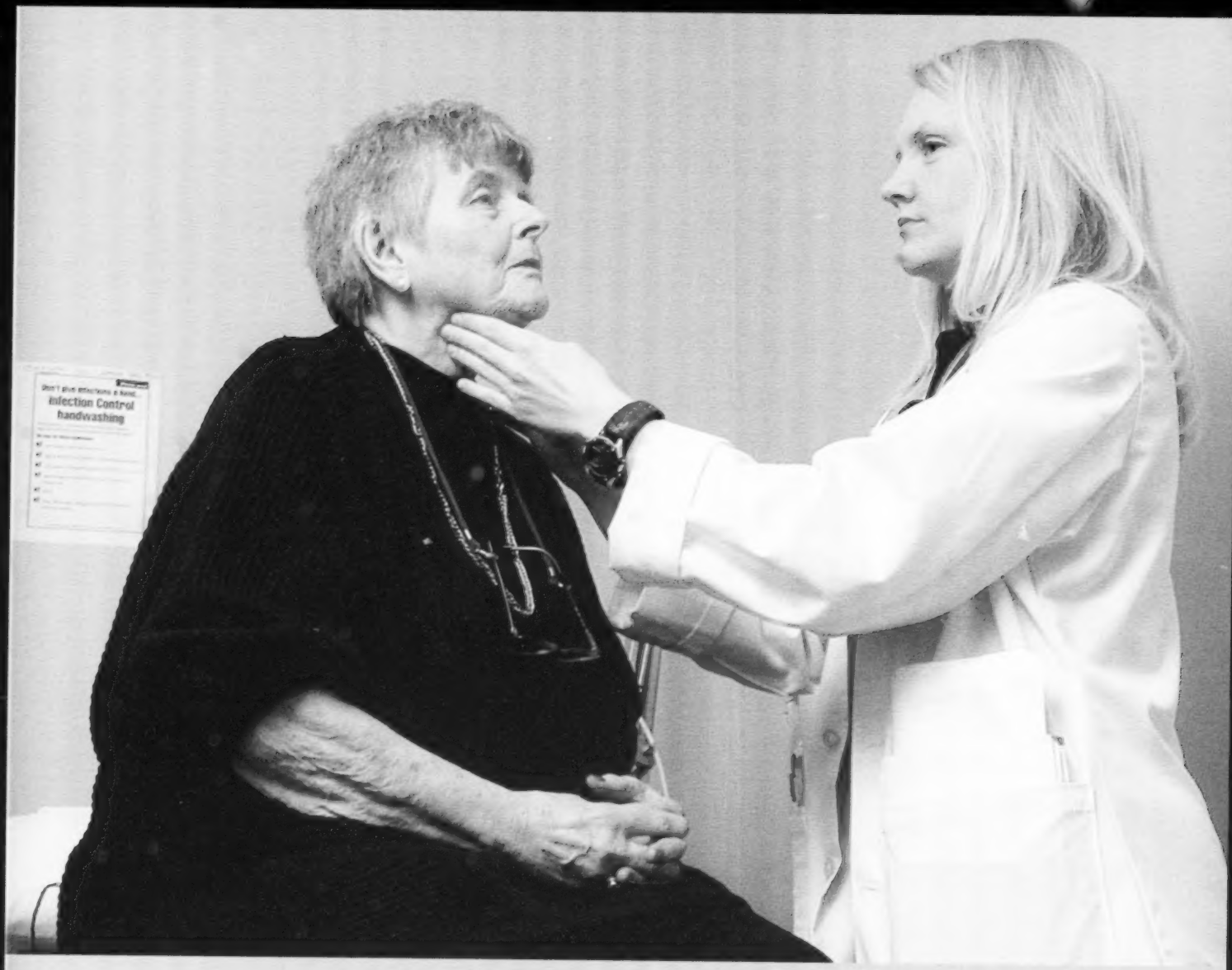
*L'intégration linguistique des immigrants au Québec*
Michel Pagé, with the collaboration of Patricia Lamarre
February 2010

"The Economic Integration of Immigrants in Metropolitan Vancouver"
Daniel Hiebert
June 2009

**Events**

Working Lunch: "L'intégration linguistique des immigrants au Québec"
March 9, 2010
Montreal






# Faces of Aging

85
75
65
55

Publication
*Providing Pharmacare for an Aging Population: Is Prefunding the Solution?*
Mark Stabile and Jacqueline Greenblatt, with a commentary by Michel Grignon
February 2010

Event
Conference: "When I'm 64... Debating Caregiving Policy for an Aging Canada"
April 2-3, 2009
Montreal

# Faces of Aging

Research Directors:
Sarah Fortin and
David Boisclair

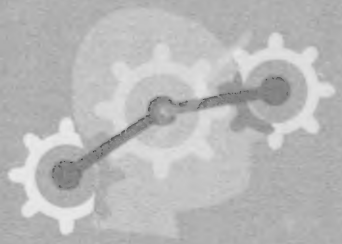
The aging of Canada's population presents a host of long-term and evolving social and economic policy challenges for governments at all levels. Initiated in 2008, the Faces of Aging program examines this complex demographic phenomenon and its implications for public policy and society at large. The research addresses a wide range of fundamental issues, including labour market changes, the adequacy and security of retirement income, the funding and delivery of health and caregiving services, regional effects, federal-provincial dynamics and end-of-life questions.

In 2001, one Canadian in eight was over the age of 65; by 2026, the proportion will be one in five. Adding to ongoing concerns about pension coverage and future retirees' financial security is the uncertainty surrounding sustainability of health care and the availability of long-term and informal care.

The policy issues related to care for older Canadians were the topic of a two-day research conference the IRPP hosted in Montreal in April. Researchers from fields such as health economics, sociology, political science, medicine and nursing attended the multidisciplinary meeting, along with civil servants and practitioners from across Canada. The objective of the conference was to take stock of current initiatives and identify models and gaps in the provision of non-hospital-based care for Canadian seniors. The role of the public and private sectors in home care and long-term care, as well as the government's role in supporting informal caregiving and regulating private services, were among the issues covered.

The Institute will be publishing several studies following the conference. The first, by Mark Stabile and Jacqueline Greenblatt, entitled *Providing Pharmacare for an Aging Population: Is Prefunding the Solution?*, was published in February. Stabile and Greenblatt recommend establishing a prepaid plan whereby Canadians would contribute to a dedicated fund during their working years to pay for their prescription drugs when they reached 65. In a commentary, Michel Grignon presents arguments opposing prefunding medicare as a solution to the increasing health costs associated with an aging population. The authors promoted their work and discussed their findings through a host of interested media outlets.

# Competitiveness, Productivity and Economic Growth



# Competitiveness, Productivity and Economic Growth

**Publications**

"Shoring Up the Competitive Posture of Canadian Manufacturers: What Are the Policy Levers?"
James Brox and Jeremy Leonard
May 2009

*Dispelling Canadian Myths about Foreign Direct Investment*
Walid Hejazi
January 2010

Research Director:
Jeremy Leonard

Economic issues have moved to front and centre in the wake of the global recession. The Competitiveness, Productivity and Economic Growth research program examines how Canada can return to and sustain the economic growth that is essential to the well-being of Canadians and to ensuring adequate public resources to address other policy challenges. The program puts particular focus on three themes: improving innovation and productivity performance, capturing the benefits of globalization and changing patterns of trade, and adapting to structural changes occurring in the Canadian economy.

The IRPP published two studies in this research program this fiscal year. "Shoring Up the Competitive Posture of Canadian Manufacturers: What Are the Policy Levers?," by James Brox and IRPP Research Director Jeremy Leonard, was published in May. As part of the dissemination of the study to the broader public, James Brox's op-ed "Keeping Canadian Manufacturers Competitive" was published in *The Globe and Mail* in the week following the study's publication.

Walid Hejazi's study *Dispelling Canadian Myths about Foreign Direct Investment* was published in January, and it has been downloaded from the Institute's Web site several thousand times since its release. The Institute had the opportunity to further connect our research to decision-makers and the policy-making community when Research Director Jeremy Leonard and author Walid Hejazi were invited to present the study's findings to senior officials at Industry Canada in February.

The study also helped broaden the IRPP's reach within Canada's business community, via carefully targeted business journalists. The author's op-ed ran in the *Financial Post* the day after the study was released, and it was picked up by the Montreal *Gazette*, *The Gazette*'s Business Observer online forum, and the online news site *The Mark*. The study was also the subject of numerous news stories and radio interviews, including pieces in *The Globe and Mail* and the French business weekly *Les Affaires*.

# Family Policy

Research Director:
Sarah Fortin

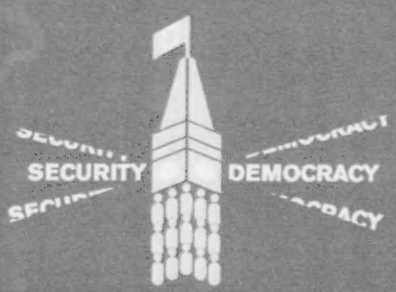
The Family Policy research program's focus is on federal and provincial policies that are geared toward families and children, including options to facilitate the reconciliation of work and family life. Our objective is to provide in-depth empirical and analytical evidence of the strengths and weaknesses of current policies related to income support, early childhood education and parental leave, and to consider alternative policy approaches or strategies. The IRPP's research in this area raises important questions about the choices and priorities of our governments in recent years, particularly with regard to gender equity, equity among families and human capital development.

This year, the Institute published an extensive review by Robert Leckey of the institutions, principles and basic framework of family law in Canada, "Families in the Eyes of the Law: Contemporary Challenges and the Grip of the Past." The study is unique in that it examines family policy in the context of past and present family law regimes.

The IRPP hosted an animated panel discussion with Robert Leckey and the President of the Association des avocats et avocates en droit familial du Québec, Marie-Christine Kirouak, on the author's findings, as part of our Working Lunch series. The Institute also used this opportunity to hold its first Webinar. There were over 50 participants in the one-hour session, including provincial and federal government officials, representatives from Canadian NGOs, and some of the country's preeminent law professors. There were participants from cities across the country, including Iqaluit, Edmonton, Saskatoon, Victoria, Surrey, Guelph, Toronto, Montreal, Vancouver and Ottawa. This new outreach instrument has enormous potential, and the IRPP intends to fully explore it in the future.

Leckey's study has been downloaded from the Institute's Web site approximately 13,000 times to date. It received a significant amount of media attention in the weeks and months following its release. Op-eds by the author were published in a variety of newspapers, including the *Vancouver Sun*, the Montreal *Gazette* and *Le Devoir*. Leckey's findings were the subject of columns in the *Calgary Sun* and the *Edmonton Sun*. He also appeared on radio and television programs across northern and southern Canada, including CBC North Whitehorse.

# Security and Democracy



Publications

*Accountability for National Defence: Ministerial Responsibility, Military Command and Parliamentary Oversight*
Philippe Lagassé
March 2010

"Canada's National Security 'Complex': Assessing the Secrecy Rules"
Craig Forcese
June 2009

"Accountability in and for National Security"
Reg Whitaker and Stuart Farson
September 2009

# Security and Democracy

Research Director:
Mel Cappe

Almost 10 years after 9/11, democratic countries are still struggling to find the right balance in anti-terrorism policy and how to respond effectively to threats posed by global and transnational terrorism. The Security and Democracy research program looks at the roles played by institutions and legislation in enabling governments to pursue and reconcile the potentially conflicting goals of security and democracy. The program focuses on the governance and accountability issues related to national security and anti-terrorism legislation, foreign intelligence, and civil and military relations.

This year, the Institute published three studies in this research program; these studies have accounted for more than 7,000 downloads from the IRPP's Web site.

The dilemma of any government information regime lies in balancing the strong public interest in disclosure in all areas, including national security, against legitimate secrecy. In his study on Canada's secrecy laws, Craig Forcese assesses Canada's efforts to harmonize transparency with secrecy in the national security area. He finds that while it is clearly necessary to protect legitimate national security secrets, the credibility of Canada's security services is undermined by its overreaching secrecy laws.

In their study on accountability and national security, Reg Whitaker and Stuart Farson found that as national security operations within government and between governments become increasingly integrated, accountability mechanisms must also be unified across institutional boundaries, and the role of Parliament in the accountability process must be enhanced. Their conclusions were the subject of numerous newspaper and radio news stories in the weeks following the study's release.

Philippe Lagassé's study examines the national defence responsibilities of Canada's Parliament, as well as proposals to strengthen the powers of the House of Commons and parliamentary committees in defence matters. According to him, reforms that dilute ministerial responsibility and the adversarial character of Parliament will weaken, not strengthen, defence accountability. Philippe Lagassé's op-ed was published in several Canadian daily newspapers, including the *Ottawa Citizen* and the Saskatoon *Star Phoenix*.

# Strengthening Canadian Democracy

Research Directors:
Geneviève Bouchard
and Jeremy Leonard

Launched in 1999, the Strengthening Canadian Democracy research program explores some of the democratic lacunae in Canada's political system, focusing on how the legitimacy of our system of government can be strengthened. Studies published in this series have examined most major aspects of Canada's democratic institutions and its electoral and party systems, and how to improve their functioning.

This year the IRPP published two studies in this research program; each was downloaded more than 2,000 times from the Institute's Web site.

Mike Joyce's study "Prudent Budgeting and Budgetary Process Effectiveness in Canada's Federal Government" found that budget planning practices and measures introduced in the mid-1990s to achieve and maintain budget balance had created a compelling incentive for budget officers to manage the political risk of missing annual budget targets by retaining or introducing significant implicit prudence into the fiscal framework, in addition to the explicit prudence displayed in annual budgets. The author argues that, as a result, the federal government consistently overshot its own budget targets, which meant there were increases in the size and the incidence of in-year allocation decisions to spend the resulting surpluses, as well as in unplanned debt repayment. Joyce's op-ed was published in the *Hill Times*.

In "Ontario's Referendum on Proportional Representation: Why Citizens Said No," authors Laura Stephenson and Brian Tanguay analyzed Ontario's recent experience with electoral reform, from the political context that brought about the process, to the details of the Citizens' Assembly, to Ontarians' general attitudes toward electoral reform. The authors used data from a survey of 1,000 Ontarians conducted immediately after the election to analyze the factors that contributed to voters' choices. The study generated six op-eds in news outlets from coast to coast, including the Halifax *Chronicle Herald*, the Kelowna *Daily Courier* and *Hill Times*. Laura Stephenson appeared on TVO's popular program *The Agenda with Steve Paikin* to discuss electoral reform. The authors' findings were also the subject of two columns on the *Maclean's* magazine Web site and one in the *Ottawa Citizen*.

Strengthening Canadian Democracy

**Publications**

"Prudent Budgeting and Budgetary Process Effectiveness in Canada's Federal Government"
Mike Joyce
June 2009

"Ontario's Referendum on Proportional Representation: Why Citizens Said No"
Laura Stephenson and Brian Tanguay
September 2009

# The Art of the State IV

# The Art of the State IV

Research Directors:
Leslie Seidle and
France St-Hilaire

The North is becoming an increasingly important focal point of public policy. Recent international events have underlined the need to safeguard Canada's sovereignty in its Arctic regions, and the federal government has announced a series of measures to further this objective. Indeed, there has been an enhanced federal government presence in the North recently. The Prime Minister has made several trips to the Arctic, and Foreign Affairs Minister Lawrence Cannon toured Canada's Arctic research projects in Borden Island as recently as spring 2010.

During this period of unprecedented interest in the North, the IRPP published a groundbreaking volume, *Northern Exposure: Peoples, Powers and Prospects in Canada's North*. Released in May, this timely edited collection is the result of an ambitious three-year research program that explored the themes of Arctic sovereignty, environmental change and science, Aboriginal and public governance, economic development, human capital and education, and northern policy.

Book launches were held in Ottawa and Iqaluit and were a resounding success. The launch in Ottawa was timed to coincide with the Congress of the Humanities and Social Sciences and was attended by senior officials from several government departments and representatives of national NGOs.

Sales of the book have been remarkable, and the Institute ordered a second printing only a few months after the book's release. The collection is now being used as a textbook for several university classes with a focus on Canadian Arctic and northern issues, such as those at Queen's University and the University of Calgary.

The IRPP has also been particularly deliberate and active in communicating the findings and recommendations of *Northern Exposure*. In Iqaluit, the Institute held private briefings with the Premier of Nunavut and senior territorial officials and engaged with the community at a public event. This event took place around the LaFontaine Baldwin Lecture, which was given this year by Sheila Watt-Cloutier, who was the keynote speaker at the Art of the State IV conference at Montebello in 2007 and the author of a chapter in the volume. IRPP President Mel Cappe and several of the book's editors gave private briefings to policy-makers in Ottawa, including ministers, the Ad Hoc Committee of Deputy Ministers on the Arctic, and Opposition critics for the Arctic. These officials found the volume to be a timely and valuable contribution to the public debate. The federal government released its policy statement "Canada's Northern Strategy: Our North, Our Heritage, Our Future" in July. >>

As well, over the course of the past year, journalists have referred to the book extensively in their coverage of the Arctic. Many of the chapters were condensed and published as op-eds in a host of daily newspapers across the country, including several in *The Globe and Mail*, the *Ottawa Citizen*, the *Edmonton Journal*, the Halifax *Chronicle Herald*, the Saskatoon *Star Phoenix* and the *Hill Times*. The book's findings and recommendations were the subject of editorials in *Le Devoir*, the *Toronto Star*, the *Vancouver Sun* and Nunavut's *Titiraqti*. An excerpt from the concluding chapter was posted on *The Globe and Mail*'s Web site as part of a series of articles, in which reporter Anna Mehler Paperny relied heavily on information drawn from the book.

Co-editor Frances Abele appeared on *CBC Newsworld*, *Global National* and *CTV National* to speak about the contents of the volume. Another co-editor, France St-Hilaire, was interviewed on CBC's Saturday morning political magazine program, *The House*, and discussed the book's findings and policy recommendations, and Paul Wells recently highlighted the book in a *Maclean's* column on the North.

Launched in 2001, The Art of the State is a conference series that examines broad policy challenges of long-term significance for Canada using multidimensional and interdisciplinary approaches. The proceedings of the four conferences that have been held so far – *Governance in a World without Frontiers* (2003), *Thinking North America* (2004-05), *Belonging? Diversity, Recognition and Shared Citizenship in Canada* (2007) and *Northern Exposure: Peoples, Powers and Prospects in Canada's North* (2009) – have been published as edited volumes in The Art of the State series.

"IRPP's work on northern issues has indeed attracted attention and has helped a great deal in encouraging ongoing government and public attention to northern issues."

– Harley Trudeau, Yukon government

*Northern Exposure: Peoples, Powers and Prospects in Canada's North* is a valuable new collection of essays on Arctic policy from the Institute for Research on Public Policy."

– Paul Wells, *Maclean's*

## The Art of the State IV

**Publications**

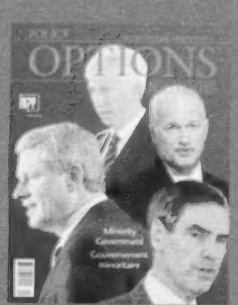
*Northern Exposure: Peoples, Powers and Prospects in Canada's North*
Edited by Frances Abele, Thomas J. Courchene, F. Leslie Seidle and France St-Hilaire
May 2009

**Events**

Book Launch: "Northern Exposure: Peoples, Powers and Prospects in Canada's North"
May 27, 2009
Ottawa

Book Launch: "Northern Exposure: Peoples, Powers and Prospects in Canada's North"
May 30, 2009
Iqaluit

# *Policy Options*



Editor:
L. Ian MacDonald
Associate Editor:
Sarah Fortin

The IRPP's flagship publication, *Policy Options*, continues to play a prominent agenda-setting role in the public policy community in Canada. Our 2009-10 cover packages provided in-depth analysis in both French and English of some of the year's biggest stories: sports policy and the Vancouver 2010 Olympics, employment insurance, Canada's water challenges, the media in crisis, minority governments and pensions. The magazine's topical and timely articles generated more than 140 columns, editorials and news items in the media.

The magazine attracts insightful and savvy writers from political and academic milieux, as well as from the private sector, and its impressive roster of contributing writers includes Derek H. Burney, Thomas J. Courchene, Jean-Herman Guay, Jeremy Kinsman, Antonia Maioni, Marie Bernard-Meunier, Velma McColl, Robin Sears, Alain Noël and Gilles Paquet.

In addition to its subscribers, the magazine is distributed to Air Canada Maple Leaf Lounges, the House of Commons, the Senate, federal deputy ministers, the Ottawa Press Gallery, the National Assembly of Quebec, the Quebec Press Gallery and Alberta MLAs. Demand from advertisers has grown this year: *Policy Options* counts some of the world's most prestigious and established companies among its regular advertisers. These include CN, Enbridge, the Canadian Renewable Fuels Association, the Forest Products Association of Canada, Rx&D, Pratt & Whitney Canada, Bombardier and Microsoft.

As well, the magazine's online readership is growing – every month there are on average more than 60,000 downloads of current and archived articles. Around 700,000 *Policy Options* articles are now downloaded per year from our Web site (www.irpp.org). All of this would not be possible without the Institute's inestimable production team: Editorial Coordinator Francesca Worrall, Copy Editor Félice Schaefli and Production and Layout Coordinator Chantal Létourneau.

The summer's double issue on water continues to be mentioned in the national media. That edition of the magazine generated more than a dozen news stories and columns in the press, as well as a host of op-eds. In the October 12, 2009, issue of *Maclean's* magazine, the page 2 editorial "Wasting Away" cited *Policy Options*' poll on water consumption and pricing. The double issue was also the subject of a July 21, 2009 editorial in *The Globe and Mail* entitled "No Such Thing as Free Water."

CPAC filmed and broadcast numerous IRPP *Policy Options* lunch events over the past year, including the ones in Ottawa in September on employment insurance and in Toronto in February on the Vancouver 2010 Olympics. The issue on water also gave rise to a series of public events in Ottawa, Calgary, Vancouver and Quebec City.

Policy Options

Events

Working Lunch: "Employment Insurance: What's Next?"
September 14, 2009
Ottawa

Working Lunch: "BC's Living Water Smart Policy: Is It Smart for Canada?"
October 29, 2009
Vancouver

Working Lunch: "Water Policy Challenges: From the Municipal to the National"
September 30, 2009
Ottawa

Working Lunch: "Alberta's Water for Life Strategy: Lessons for Canada"
October 28, 2009
Calgary

Working Lunch: "Politiques québécoises de l'eau: ambitions et réalités"
January 19, 2010
Quebec City

Working Lunch: "The 2010 Winter Olympics: Canada Aims High"
February 3, 2010
Toronto

# Report of the Investment Committee

Chair: Ian D. Clark
Members: Hugh Cleland, Lea Hansen, Michael Koerner, Barbara McDougall, L. Jacques Ménard and Alfred Wirth

The objective of the IRPP's Endowment Fund is to support the Institute's work. The Investment Committee seeks to maintain the real value of the fund after inflation, so that it can continue to provide financial support to the Institute in future years. The role of the Investment Committee is to consider the appropriate asset mix of the endowment, to recommend external investment managers, and to hold the external investment managers accountable for the objective of their mandate and to advise the Board on the Institute's investment strategy.

The committee and the Board recognized that there may be potentially competing objectives in maintaining the operations of the Institute and protecting the value of the fund. Therefore, rather than using the actual income generated by the fund in any one year, the Board of Directors decided several years ago to withdraw an amount equal to 5 percent of the average of the last three years' capital value of the fund, measured at the fiscal year-end. A three-year average is used to smooth the impact of changes in the market and increase predictability.

The money available from the fund for fiscal year 2009-10 amounted to $1,876,234, a decrease of approximately $168,036 from the transfer generated the previous year. Realized capital losses of $117,512 and dividend and interest income of $1,123,862 during the last fiscal year together amounted to $1,006,350.

Like most other funds of this nature, the IRPP's Endowment Fund was significantly affected by the financial crisis that began in the fall of 2008. It is in this context that in June 2009, the Investment Committee undertook a review of the sustainability of the 5 percent rate of draw on the endowment. Keeping in mind the sustainability of the fund, balanced with the sustainability of the operations of the Institute and its capacity to fulfill its mission, the Board of Directors decided in December 2009 to gradually reduce the rate of draw to 4 percent by 2014-15 by dropping to 4.75 percent for the next two years and then gradually reducing by another 25 basis points a year to 4 percent by 2014-15.

The committee also considered alternative smoothing formulae for drawing funds from the endowment. The modified Yale Formula was selected, as it further reduces the transmission of portfolio volatility onto the draw from the endowment. This formula consists of taking 80 percent of the allowable transfer in the prior fiscal year, increased by the rate of inflation, as measured by the Consumer Price Index, for the 12 months prior to the start of the fiscal year, and 20 percent of the long-term spending rate applied to the four-quarter market average of the endowment for the period ending December 31, prior to the start of the fiscal year.

Over the years, the Investment Committee has taken several measures to ensure the optimal management of the fund. In 1999, it decided to divide the fund into two equal portions, and Knight, Bain, Seath and Holbrook Capital Management (KBSH), which had managed the fund since 1989, was joined by Beutel, Goodman and Company Ltd. In 2004, the committee decided to replace KBSH with McLean Budden Investment Managers. In June 2008, the Investment Committee hired the firm Julius Baer, now Artio Global, to manage the portion of the IRPP's assets that was invested in foreign markets. >>

The fund's combined market value, including other net assets, amounted to $35,210,684 as of March 31, 2010. Its asset mix is reported in the table below.

| | Artio Global | | McLean Budden | | Beutel Goodman | |
|---|---|---|---|---|---|---|
| Periods ended | 31/3/10 | 31/3/09 | 31/3/10 | 31/3/09 | 31/3/10 | 31/3/09 |
| Market value ($) | 3,554,455 | 3,022,740 | 14,252,405 | 13,039,711 | 17,403,824 | 14,992,206 |
| **Asset mix** | | | | | | |
| Cash and equivalent | - | - | 1.9% | 1.4% | 1.7% | 4.3% |
| Fixed income | - | - | 48.2% | 49.6% | 42.1% | 52.3% |
| Canadian equities | - | - | 27.4% | 26.3% | 37.9% | 28.2% |
| US equities | - | - | 22.5% | 22.7% | 18.2% | 15.2% |
| Non-North American equities | 100% | - | - | - | - | - |
| Total equities | - | - | 49.9% | 49.0% | 56.2% | 43.4% |

The Investment Committee meets with the fund managers on a quarterly basis to review their performance based on benchmarks established several years ago. In 2009 the committee again reviewed the benchmarks to ensure that they still provided the appropriate basis for evaluating the fund managers' performance. The table below reports our managers' performance relative to the benchmark in the previous year and in the past four years, where applicable.

| Periods ended | 31/3/10 | 31/3/09 | 31/3/08 | 31/3/07 |
|---|---|---|---|---|
| **Annual return** | | | | |
| Artio Global | 18.7% | -13.6% | N/a | N/a |
| Benchmark (msci acwi ex-us) | 29.8% | -9.0% | N/a | N/a |
| Beutel Goodman | 22.9% | -11.8% | -4.2% | 8.6% |
| McLean Budden | 17.3% | -10.0% | -1.3% | 9.6% |
| Benchmark | 18.8% | -13.0% | 0.4% | 9.4% |
| **4-year return (annualized)** | | | | |
| Beutel Goodman | 3.1% | 0.5% | 5.4% | 8.6% |
| Mclean Budden | 3.5% | 1.9% | n/a | n/a |
| Benchmark | 3.2% | 2.0% | 7.1% | 9.3% |

# Auditors' Report

## To the Directors of the Institute for Research on Public Policy

We have audited the balance sheet of the Institute for Research on Public Policy as at March 31, 2010, and the statements of earnings, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by Part II of the *Canada Corporations Act*, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Montreal, May 11, 2010

Raymond Chabot
Grant Thornton

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Suite 2000
National Bank Tower
600 De La Gauchetière Street West
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1 Chartered accountant auditor permit no. 14444

# Earnings YEAR ENDED MARCH 31, 2010 (IN THOUSANDS OF DOLLARS)

| | 2010<br>$ | 2009<br>$ |
|---|---|---|
| **Revenues** | | |
| Net investment income | **6,139** | (5,322) |
| Other revenues | | |
| *Policy Options* magazine | **37** | 30 |
| Other publications | **50** | 37 |
| Advertising | **155** | 137 |
| Contributions | **147** | 173 |
| Other | **9** | 10 |
| | **398** | 387 |
| **Expenses** | | |
| General research and support services | **1,732** | 1,904 |
| *Policy Options* magazine | **474** | 383 |
| Other publications | **81** | 150 |
| Investment management and custodial fees | **209** | 204 |
| Interest | **7** | 7 |
| Amortization of capital assets | **19** | 17 |
| | **2,513** | 2,665 |
| Deficiency of revenues over expenses before net investment income | **(2,115)** | (2,278) |
| Excess (deficiency) of revenues over expenses | **4,024** | (7,600) |

The accompanying notes are an integral part of the financial statements.

# Changes in Net Assets YEAR ENDED MARCH 31, 2010 (IN THOUSANDS OF DOLLARS)

| | Restricted for financing of operating activities (note 4) | Invested in capital assets | Un-restricted | 2010 Total | 2009 Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| Balance, beginning of year | 30,881 | 24 | 235 | 31,140 | 38,740 |
| Excess (deficiency) of revenues over expenses | | (19) | 4,043 | 4,024 | (7,600) |
| Invested in capital assets | | 15 | (15) | | |
| Transfer (note 5) | 4,055 | | (4,055) | | |
| Balance, end of year | 34,936 | 20 | 208 | 35,164 | 31,140 |

The accompanying notes are an integral part of the financial statements.

# Cash Flows YEAR ENDED MARCH 31, 2010 (IN THOUSANDS OF DOLLARS)

| | 2010 | 2009 |
|---|---|---|
| | $ | $ |
| **Operating activities** | | |
| Excess (deficiency) of revenues over expenses | **4,024** | (7,600) |
| Noncash items | | |
| Fair value of investments | **(5,056)** | 6,884 |
| Loss (gain) on disposal of investments | **118** | (228) |
| Amortization of capital assets | **19** | 17 |
| Changes in working capital items (note 6) | **79** | 236 |
| Net cash used | **(816)** | (691) |
| **Investing activities** | | |
| Short-term investment | **(152)** | (222) |
| Disposal of short-term investment | **217** | 224 |
| Investments | **(13,207)** | (24,223) |
| Disposal of investments | **13,915** | 25,155 |
| Capital assets | **(15)** | (16) |
| Net cash generated | **758** | 918 |
| **Increase (decrease) in cash** | **(58)** | 227 |
| Cash (bank overdraft), beginning of year | **158** | (69) |
| Cash, end of year | **100** | 158 |

The accompanying notes are an integral part of the financial statements.

# Balance Sheet MARCH 31, 2010 (IN THOUSANDS OF DOLLARS)

| | 2010<br>$ | 2009<br>$ |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Cash | **100** | 158 |
| Short-term investment (note 7) | | 73 |
| Accounts receivable (note 8) | **375** | 348 |
| Prepaid expenses | **34** | 28 |
| | **509** | 607 |
| Investments (note 9) | **35,108** | 30,870 |
| Capital assets (note 10) | **20** | 24 |
| | **35,637** | 31,501 |
| **Liabilities** | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | **270** | 228 |
| Subscription and advertising revenue collected in advance | **95** | 38 |
| Deferred contributions (note 12) | **108** | 95 |
| | **473** | 361 |
| **Net assets** | | |
| Restricted for the financing of operating activities | **34,936** | 30,881 |
| Invested in capital assets | **20** | 24 |
| Unrestricted | **208** | 235 |
| | **35,164** | 31,140 |
| | **35,637** | 31,501 |

The accompanying notes are an integral part of the financial statements.

# Notes YEAR ENDED MARCH 31, 2010 (IN THOUSANDS OF DOLLARS)

## 1 - Governing statutes and purpose of the organization

The Institute for Research on Public Policy is incorporated under Part II of the *Canada Corporations Act*. Its mission is to improve public policy in Canada by generating research, providing insight and sparking debate that will contribute to the public policy decision-making process and strengthen the quality of the public policy decisions made by Canadian governments, citizens, institutions and organizations. It is a registered charity under the *Income Tax Act*.

## 2 - Accounting changes

On April 1, 2009, in accordance with the applicable transitional provisions, the Organization applied the changes made by the Canadian Institute of Chartered Accountants (CICA) to the introduction to accounting standards that apply only to not-for-profit organizations and to the 4400 Series as well as consequential amendments to other sections of the CICA Handbook. These changes, which are effective for fiscal years beginning on or after January 1, 2009, principally affect the following items:

– Inclusion of not-for-profit organizations within the scope of Sections 1540, "Cash Flow Statements," and 1751, "Interim Financial Statements";
– Elimination of the requirement to treat net assets invested in capital assets as a separate component of net assets;
– Amendments to clarify that revenues and expenses must be recognized and presented on a gross basis when the not-for-profit organization is acting as a principal in the transactions in question;
– Inclusion of additional guidance with respect to the appropriate use of the scope exemption in Section 4430, "Capital Assets Held by Not-for-profit Organizations," for smaller entities;
– Inclusion of standards on disclosures by a not-for-profit organization that classifies expenses by function and allocates expenses to a number of functions to which the expenses relate.

The changes only address disclosures and have no impact on the Organization's financial results.

## 3 - Accounting policies

**Basis of presentation**

The financial statements are prepared using the historical cost method, except for certain financial instruments that are recognized at fair value. No information on fair value is presented when the carrying amount corresponds to a reasonable approximation of the fair value.

**Accounting estimates**

The preparation of financial statements in accordance with generally accepted Canadian accounting principles requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. These estimates are based on management's best knowledge of current events and actions that the Organization may undertake in the future. Actual results may differ from these estimates.

**Financial assets and liabilities**

The Organization has chosen to apply the recommendations of Section 3861, "Financial Instruments – Disclosure and Presentation," of the CICA Handbook, with respect to the presentation and disclosure of financial instruments.

On initial recognition, all financial assets and liabilities are measured and recognized at their fair value. Transaction costs from held-for-trading financial assets and liabilities are recognized in earnings and presented under Investment management and custodial fees. Regular-way purchases or disposals of financial assets are recognized at the transaction date.

Subsequently, financial assets and liabilities are measured and recognized as follows.

*Held-for-trading financial assets*

Cash is recognized as held for trading and short-term investment, investments, interest and dividends receivable and accounts receivable on disposal of investments are designated by the Organization as held for trading. They are measured at their fair value and changes in fair value are recognized in earnings. Changes in fair value that are recognized in earnings include interest and dividend income, exchange gains or losses, and realized and unrealized gains or losses, and are presented under Net investment income. The fair value of investments in shares and fund units is based on the current bid price, and the fair value of investments in discount note and bonds is based according to the rate of return that reflects corresponding market conditions.

Upon initial recognition, the Organization designates some financial assets as held for trading because it considers that the financial information generated by this classification is more relevant for decision-making and provides a better means for evaluating the Organization's performance.

*Loans and receivables*

Trade accounts included in the accounts receivable are classified as loans and receivables, and they are measured at amortized cost, which is generally the initially recognized amount less any allowance for doubtful accounts.

*Other financial liabilities*

Accounts payable and accrued liabilities are classified as other financial liabilities and are measured at amortized cost.

**Revenue recognition**

*Contributions*

The Organization follows the deferral method of accounting for contributions. Under this method, contributions restricted for future period expenses are deferred and are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated, and if collection is reasonably assured. Endowment contributions are reported as direct increases in net assets.

*Advertising and publication revenue*

Advertising and publication revenue is recognized once there is an agreement between the parties, the price is fixed or determinable and collection is reasonably assured.

In addition to the general principles described above, the Organization applies the following specific principles:

– Advertising revenue is recognized on a straight-line basis over the duration of the contract, once advertising is edited;
– Revenue from publications is recognized on a straight-line basis over the duration of subscriptions;
– Other revenue is recognized when it is earned.

*Investment income*

Investment transactions are recorded on the settlement date, and resulting income is recognized using the accrual method of accounting. Interest income is recognized based on the number of days the investment was held during the year. Dividends are recognized as of the ex-dividend date. Gains or losses on the disposal of investments are determined using the average-cost method. Transaction costs related to the acquisition or disposal of investments are included in the cost of investments or treated as a reduction of the proceeds on the disposal of investments.

**Capital assets**

Capital assets are recorded at cost less accumulated amortization and are amortized over their estimated useful lives according to the straight-line method and the following annual rates and period:

| | Rates and period |
|---|---|
| Computer equipment | 33% |
| Office equipment | 20% |
| Leasehold improvements | Length of the lease (5 years) |

**Foreign currency translation**

Monetary assets and liabilities in foreign currency are translated at the exchange rate in effect at the balance sheet date, whereas other assets and liabilities are translated at the exchange rate in effect at the transaction date. Revenue and expenses in foreign currency are translated at the average rate in effect during the year, with the exception of expenses relating to nonmonetary assets and liabilities, which are translated at the historical rate. Gains and losses are included in the earnings for the year. Exchange gains or losses on held-for-trading financial instruments are included in net investment income presented in the statement of earnings.

## 4 - Restrictions on net assets

The net assets restricted for the financing of operating activities, and subject to internally imposed restrictions by the Board of Directors, must be maintained to finance the Organization's operating activities. These amounts cannot be used toward other purposes without the consent of the Board of Directors. Investment income is unrestricted.

## 5 - Transfer

| | 2010 | 2009 |
|---|---|---|
| | $ | $ |
| Amount obtained from the average fair value of the three preceding years multiplied by 5% (5% in 2009) (a) | **1,875** | 2,044 |
| Net investment income | **6,139** | (5,322) |
| Investment management and custodial fees | **(209)** | (204) |
| Investment income, net of investment management and custodial fees (b) | **5,930** | (5,526) |
| Transfer | **(4,055)** | 7,570 |

(a) The Board of Directors authorizes an annual transfer of resources from restricted net assets for financing of operating activities to unrestricted net assets. This transfer of resources was established at 5%, for the years ended March 31, 2010 and 2009, of the average fair value of assets held for the financing of operating activities at the end of the three preceding years.
(b) The decrease in value in the restricted account and the offsetting amount that is unrestricted include the unrealized gain during the year on the assets in the restricted account.

## 6 - Information included in cash flows

The changes in working capital items are detailed as follows:

| | 2010 | 2009 |
|---|---|---|
| | $ | $ |
| Accounts receivable | **(27)** | 299 |
| Prepaid expenses | **(6)** | 2 |
| Accounts payable and accrued liabilities | **42** | (79) |
| Subscription and advertising revenue collected in advance | **57** | 5 |
| Deferred contributions | **13** | 9 |
| | **79** | 236 |

## 7 - Short-term investment

| | 2010 | 2009 |
|---|---|---|
| | $ | $ |
| Discount note | **–** | 73 |

## 8 - Accounts receivable

| | 2010 | 2009 |
|---|---|---|
| | $ | $ |
| Trade accounts | **45** | 25 |
| Accounts receivable on disposal of investments | **195** | 148 |
| Goods and services tax and Quebec sales tax | **38** | 55 |
| Interest and dividends receivable | **97** | 120 |
| | **375** | 348 |

## 9 - Investments

| | 2010 Fair value | 2009 Fair value |
|---|---|---|
| | $ | $ |
| Mutual fund units | | |
| Money market | **274** | 463 |
| Bonds | **6,878** | 6,504 |
| Shares | **10,852** | 9,559 |
| | **18,004** | 16,526 |
| Bonds | | |
| Federal government, 1.25% to 8% (3.6% to 5% in 2009), maturing on different dates from September 2010 to June 2023 | **2,691** | 2,750 |
| Provincial government, 4.4% to 10.25% (4.4% to 10.25% in 2009), maturing on different dates from January 2012 to June 2040 | **1,064** | 1,220 |
| Corporations, 3.13% to 12.2% (3.906% to 12.2% in 2009), maturing on different dates from September 2010 to July 2040 | **3,575** | 3,865 |
| | **7,330** | 7,835 |
| Canadian shares | | |
| Metals and minerals | **106** | |
| Oil and gas | **1,431** | 1,211 |
| Consumer products | **109** | 46 |
| Industrial products | **55** | |
| Real estate | **78** | 37 |
| Transportation and environmental services | **213** | 122 |
| Utilities | **189** | 114 |
| Communications and medias | **479** | 272 |
| Merchandising | **216** | 133 |
| Financial services | **3,712** | 2,296 |
| | **6,588** | 4,231 |
| Foreign shares | | |
| Consumer discretionary | **394** | 241 |
| Consumer staples | **156** | 204 |
| Financial services | **280** | 29 |
| Health care | **345** | 352 |
| Integrated oil company | **112** | 116 |
| Materials and processing | **77** | |
| Other energy | **200** | 220 |
| Producer durables | **543** | 287 |
| Technology | **472** | 418 |
| Utilities | **144** | 156 |
| Communications and medias | **243** | 40 |
| Other | **220** | 215 |
| | **3,186** | 2,278 |
| | **35,108** | 30,870 |

## 10 - Capital assets

| | Cost | Accumulated amortization | 2010 Net |
|---|---|---|---|
| | $ | $ | $ |
| Computer equipment | **358** | **345** | **13** |
| Office equipment | **125** | **121** | **4** |
| Leasehold improvements | **16** | **13** | **3** |
| | **499** | **479** | **20** |

| | Cost | Accumulated amortization | 2009 Net |
|---|---|---|---|
| | $ | $ | $ |
| Computer equipment | 343 | 340 | 3 |
| Office equipment | 125 | 115 | 10 |
| Leasehold improvements | 16 | 5 | 11 |
| | 484 | 460 | 24 |

## 11 - Line of credit

The line of credit for an authorized amount of $500 is unsecured, bears interest at prime plus 1% (3.25%; 2.75% in 2009) and is renegotiable in September 2010. The line of credit was not used as at March 31, 2010 and 2009.

## 12 - Deferred contributions

| | 2010 | 2009 |
|---|---|---|
| | $ | $ |
| Fourth Decade Fund | | |
| Balance, beginning of year | **95** | 86 |
| Received relating to the following years | **13** | 9 |
| Balance, end of year | **108** | 95 |

The Fourth Decade Fund represents amounts received and restricted for purposes specified by the donors.

## 13 - Financial risk management objectives and policies, and financial risks

**Financial risk management objectives and policies**

The Organization is exposed to various financial risks resulting both from its operating and its investing activities. The Organization's management manages financial risks.

The Organization does not enter into financial instrument agreements, including derivative financial instruments, for speculative purposes.

**Financial risks**

The Organization's main financial risk exposure and its financial risk management policies are as follows.

*Interest rate risk*

Bonds and fund units in money market, and bonds bear interest at a fixed rate, and the Organization is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations. The Organization does not use derivative financial instruments to reduce its interest-rate-risk exposure.

*Credit risk and concentration of credit risk*

Generally, the carrying amount on the balance sheet of the Organization's financial assets exposed to credit risk, net of any applicable provisions for losses, represents the maximum amount exposed to credit risk.

– Trade accounts receivable:
An Organization's credit risk is attributable to its trade accounts receivable. The Organization does not require a guarantee from its customers. Trade accounts receivable balances are managed and analyzed on an ongoing basis and, accordingly, the Organization's exposure to doubtful accounts is not significant;
– Investments in bonds and mutual fund units:

The bond and mutual-fund investment balance is managed and analyzed quarterly to detect any impairment. As at March 31, 2010, management considers that the Organization's credit risk with respect to these financial assets is low and, accordingly, no allowance for losses has been recorded.

As at March 31, 2010, cash is held by a regulated financial institution.

*Liquidity risk*

Liquidity-risk management serves to maintain a sufficient amount of cash and cash equivalents and to ensure that the Organization has financing sources such as bank loans for a sufficient authorized amount. The Organization establishes budget and cash estimates to ensure it has the necessary funds to fulfil its obligations.

*Other-price risk*

Other-price risk is the risk that the fair value of net assets fluctuates as a result of changes in market prices. The Organization is exposed to other-price risk as a result of investments.

*Foreign exchange risk*

The Organization is exposed to foreign exchange risk due to cash, short-term investment and investments denominated in US dollars. As at March 31, 2010, assets denominated in US dollars consisting of cash, short-term investment and investments totalled US$3,187 (US$2,418 as at March 31, 2009).

The Organization does not enter into arrangements to hedge its foreign exchange risk.

## 14 - Capital management policies and procedures

The Organization defines its capital as its net assets, and its capital management objectives are:

– to ensure its ability to continue as a going concern;
– to fulfill its financial obligations.

The Organization manages its capital primarily through investment revenues and the sale of advertising and publications.

To maintain or adjust its capital structure, it may be necessary to adjust the estimates for the expenses of some activities.

The Organization is not subject, under outside rules, to capital requirements.

## 15 - Commitments

The Organization has entered into long-term lease agreements and a service contract expiring in 2012, which call for payments of $126 for the rental of equipment and office space and services. Minimum lease payments for the next five years are $76 in 2011, $36 in 2012, $6 in 2013 and 2014, and $2 in 2015.

# Supplementary information

| | 2010 | 2009 |
|---|---|---|
| | $ | $ |
| Net investment income | | |
| Interest revenues | **702** | 856 |
| Dividend revenues | **499** | 478 |
| Gain (loss) on disposal of investments | **(118)** | 228 |
| Changes in fair value of financial assets designated by the Organization as held for trading | **5,056** | (6,884) |
| | **6,139** | (5,322) |

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